Province of British Columbia

Ministry of Finance and
Corporate Relations

SPECIAL REPORT

A Report by the Comptroller General on the Financial Administration of the Office of the Minister of Forests and Lands, and Related Matters

Office of the
Comptroller General

Province of
British Columbia

COMPTROLLER GENERAL

Ministry of
Finance and
Corporate Relations

Office of the
Comptroller General
Parliament Buildings
Victoria
British Columbia
V8V 4R8

March 27, 1987

Honourable William N. Vander Zalm
Premier
Province of British Columbia
Parliament Buildings
Victoria, British Columbia
V8V 1X4

Dear Sir:

In response to your request of March 6, 1987, I submit this Report on those significant matters arising from my review of the financial and related records of the Minister of Forests and Lands.

Yours sincerely,

D. Brian Marson
Comptroller General

Attachment

BACKGROUND

On March 6, 1987, the Premier announced that the Minister of Forests and Lands had resigned pending an investigation by the Comptroller General into the financial administration of the Minister's Office. The investigation was requested by the Premier as a result of specific allegations made to the Deputy Attorney General relating to the Minister's financial and other transactions.

The Comptroller General met with the Deputy Attorney General immediately following the Premier's announcement to review the allegations, and commenced his investigation the same day. This included taking steps to ensure that records relating to the matters under review were identified and properly secured. Issues reported subsequently in the news media were also examined during the course of the investigation.

SCOPE OF THE REVIEW

While my examination focussed on the 1986-87 fiscal year, some transactions in the previous fiscal year were also included where relevant to the matters under review.

My audit staff examined all of the Minister's transactions for the 1986-87 fiscal year charged to the Minister's Vote, as well as relevant transactions in the Ministry Votes, including those of the Deputy Minister. Constituency accounting records for 1985-86 and 1986-87 were also reviewed.

Interviews were conducted with present and former staff of the Minister's office, and with senior officials of the Ministry, including the Deputy Minister, the Executive Financial Officer and the Senior Financial Officer.

Under the authority conferred on the Comptroller General by Section 7 of the Financial Administration Act and Section 15 of the Inquiry Act, Mr. Kempf was examined under oath with respect to the matters contained in this Report.

AUTHORITIES

A Minister of the Crown, as both a Member of the Legislative Assembly and a Member of the Executive Council, is governed in matters of financial administration by the provisions of several Acts of the Legislature, as well as related Regulations, and Policies and Procedures issued under the authority of Treasury Board. Among these Acts, Regulations and Policies are:

- The Financial Disclosure Act, which requires elected provincial officials to disclose their financial interests.

- The Constitution Act which prohibits MLAs from receiving benefits from the Crown other than those provided by statute, including "reasonable out of pocket travelling and other expenses" actually incurred in the discharge of their duties.

- The Financial Administration Act, the Official Duties Expense Regulation and Treasury Board Policies which set out the rules governing Ministerial travel and business expenses.

- The Legislative Assembly Allowances and Pension Act which sets out certain statutory allowances provided to MLAs.

- The Speaker's Guidelines which set out procedures to be followed with respect to MLAs' constituency expenses.

In addition to these authorities, according to tradition, those persons who hold positions of public authority and trust are required to demonstrate high standards of probity in the exercise of their public duties. As the former Auditor General of British Columbia noted in the preamble to her 1982 Special Report on the Expenditures of the Minister of Consumer and Corporate Affairs:

> "The disbursement of public money imposes a degree of responsibility which well exceeds that applicable to expenditures of personal funds."

AUDIT APPROACH

In conducting this review, the professionally qualified audit staff of the Office of the Comptroller General examined the Minister's financial transactions using generally accepted audit standards, including:

(a) Actuality: confirmation of the specific transactions that actually took place.

(b) Compliance: determination of whether the transactions were in compliance with relevant authorities and guidelines.

AUDIT FINDINGS

My review covered the financial transactions of Mr. Kempf, whether as a Minister, a Parliamentary Secretary or as a Member of the Legislative Assembly, during the past two years. However, only items of significance are included in this Report. Items were deemed to be significant if they were found to involve anomalies, were the subject of specific allegations, or had been raised in news media coverage of the investigation.

THE MINISTER'S TRAVEL AND BUSINESS EXPENSE CLAIMS, INCLUDING OUTSTANDING TRAVEL ADVANCES

All of the Minister's travel and business expense claims since he became a Minister were reviewed by auditors from the Internal Audit Branch of the Office of the Comptroller General. In general, the Minister's travel and business expense claims were adequately documented, verified and approved, and were for amounts within the relevant regulations and policies.

A major concern was determined to be the Minister's outstanding travel advances. At the time of my review, government accounting records showed outstanding travel advances to Mr. Kempf totalling $13,100, which had been accumulated over two fiscal years.

A "standing travel advance" is provided to persons who must travel frequently on short notice on government business. A standing advance is repayable when leaving the position, and should immediately be recalled or reduced when circumstances change and it is no longer required. A "temporary travel advance" is issued for a specific trip and is seldom justified when a standing travel advance is already held by the person travelling. In the case of a temporary travel advance, government procedures require that it be repaid as part of of the travel expense reimbursement claim within one week of the completion of the specific trip. The government travel claim form contains a box which provides for the temporary travel advance to be deducted from the expenses being claimed, and the claimant must sign the completed form.

It was determined that the Minister had received travel advances totalling $5,600 during his tenure as a Parliamentary Secretary:

Amount	Type	Date Issued
$ 750.00	Standing Travel Advance	June 05, 1985
$1,000.00	Standing Travel Advance	July 12, 1985
$ 750.00	Standing Travel Advance	October 01, 1985
$1,000.00	Standing Travel Advance	October 28, 1985
$1,500.00	Temporary Travel Advance	November 22, 1985
600.00	Standing Travel Advance	December 05, 1985
$5,600.00		

These advances should have been recalled and repaid when Mr. Kempf ceased to be a Parliamentary Secretary and became a Minister in February 1986. We could find no record of them being recalled by the Ministry of the Provincial Secretary which issued these advances, nor any record that they had been repaid. Since these travel advances were very large and have been outstanding for over a year, they could easily take on the appearance of interest free loans.

Therefore, it is recommended that Mr. Kempf immediately repay these overdue travel advances in the amount of $5,600 with interest at the government's prescribed rate of interest on accounts receivable for the period February 11, 1986 until the date of repayment.

It is further recommended that the Ministry of the Provincial Secretary institute a system to ensure that all outstanding advances are repaid promptly when entitlement no longer exists.

Since becoming a Minister, Mr. Kempf has also been issued with the following travel advances by the Ministry of Lands, Parks and Housing, and the Ministry of Forests and Lands:

Amount	Type	Date Issued
$3,000.00	Standing Travel Advance	April 30, 1986
$2,000.00	Temporary Travel Advance	June 13, 1986
$2,500.00	Temporary Travel Advance	January 12, 1987
$7,500.00		

A $3,000 standing travel advance is large by government standards, but not necessarily inappropriate for a Minister who is travelling internationally on a regular basis.

In the case of the temporary travel advance issued to Mr. Kempf on June 13, 1986, an audit of government records could find no record of repayment. Nor was the travel advance deducted from subsequent travel claims submitted by Mr. Kempf in the period following June 13, 1986. Therefore, this travel advance for $2,000 is outstanding, and has not been accounted for or repaid to the Consolidated Revenue Fund as required.

It is, therefore, recommended that Mr. Kempf immediately repay to the government his $2,000 temporary travel advance of June 13, 1986.

It is also recommended that the Ministry of Forests and Lands institute improved procedures to ensure that travel expense claims cannot be processed without the deduction of the relevant trip travel advance.

With respect to the $2,500 temporary travel advance received by Mr. Kempf on January 12, 1987, travel claims being processed concurrent with my audit included reimbursement of this advance.

In summary, there are several observations to be made with respect to my review of Mr. Kempf's travel advances. First, they appear to be very large relative to the travel involved. Second, temporary advances were repeatedly provided when standing travel advances were already in place. Third, temporary travel advances were in some cases not repaid promptly as required by government financial administration policies. In addition, ministry financial staff did not exercise adequate vigilance over the travel advances and travel claims in question.

In my opinion, the inadequate accounting for, and repayment of these large advances, totalling $13,100, is inconsistent with the proper stewardship and sound financial administration of public funds.

PERSONAL USE OF AIRLINE BONUS POINTS

Mr. Kempf confirmed using Canadian Pacific Airlines bonus points accumulated through publicly funded travel to pay for a return trip for Mrs. Kempf from Victoria to Ottawa in June 1986. The ticket was for Mrs. Kempf to accompany him to a parks conference held in Hull, Quebec. According to records examined, the ticket was first issued to Mrs. Kempf on a cash basis in the amount of $1,048.00, then cancelled and reissued and paid for by bonus points from the Minister's bonus point account.

When this use of bonus points to fund personal travel came to the attention of the Minister's secretary, she sought written advice from the Deputy Provincial Secretary, then advised the Minister that the use of bonus points for personal travel was both inappropriate and inconsistent with government policy. She further advised him that the cost of the flight should be reimbursed to the Crown. Correspondence examined included a letter dated September 18, 1986 from the Deputy Provincial Secretary to the Minister's secretary on this subject outlining the government's policy that bonus points earned on government business should not be used for personal use. In addition, we examined a handwritten note from the Minister to his Deputy Minister dated September 19, 1986 asking for clarification of the rules on the use of bonus points, noting that he couldn't follow the rules if he didn't know what they were. On September 23, 1986, the Ministry Executive Financial Officer, D. Ausman, wrote to the Deputy Minister confirming that the Minister's secretary "is making arrangements for Mr. Kempf to reimburse

the Crown for any travel benefits personally consumed under the airline's program." He went on to say, "I have offered every assistance in helping with these arrangements". The Deputy Minister wrote to the Minister on October 8, 1986 reaffirming the government policy that bonus points obtained at public expense should be used for official government travel but not for personal travel. Mr. Kempf acknowledges receiving this memorandum and that his secretary had requested a cheque to reimburse the Crown for the cost of the trip, but that he has, in fact, made no reimbursement.

In reviewing this matter under oath, Mr. Kempf pointed out that at no time until after the trip had anyone told him that the use of bonus points earned through official travel should not be used for personal travel. He noted that none of the briefing material provided to him on financial administration matters when he became a minister made any mention of airline bonus points, therefore he was unaware of any problem until after Mrs. Kempf's trip had been completed.

Government policy since August, 1984, has been to prohibit employees from using bonus points earned through publicly funded travel for personal benefit. The use of points for official business travel is permitted. While the rules which apply to Ministers' travel and business expenses, the Official Duties Expense Regulation, do not specifically mention the use of airline bonus points, the Minister of Finance wrote to all Ministers in September, 1984, reminding them of the prohibition on the use of bonus points for personal benefit. This letter was not brought to the attention of Mr. Kempf when he became a Minister in February 1986, and therefore, it can be concluded that he was not aware of the government's policy when he used his bonus points to finance his wife's flight to Ottawa.

The question remains as to whether as a Minister, Mr. Kempf should have used bonus points for personal benefit, even though unaware of policy directives issued before he became a Minister. It is generally accepted that public officials should not receive an unauthorized personal benefit from the exercise of their duties, and that at all times they would conduct themselves accordingly. Therefore, to be consistent with government policy and to ensure that the event could not be interpreted as a personal benefit, the Minister, in my opinion, should have promptly reimbursed the cost of the airline ticket.

Therefore, it is recommended that Mr. Kempf be requested to reimburse the cost of his wife's ticket.

A second recommendation is that the Executive Council issue a clear policy statement to Ministers of the Crown regarding bonus point use, and that this policy statement be brought to the attention of all new Ministers when they are appointed to their office.

MINISTER'S OFFICE STAFF

A review was undertaken of the hiring of staff for the Minister's Office, as well as the circumstances under which the employment of certain staff was terminated during the 1986-87 fiscal year.

In general a substantial and continuing turnover of office support staff was noted for the period under review. This turnover of staff is not conducive to ensuring sound financial management and control.

A detailed review was undertaken of the hiring of Mr. Prokopanko, Ministerial Assistant; the hiring and termination of Ms. Betty Scala, Executive Assistant, and Ms. Donna Hall, Ministerial Secretary; and the hiring on contract of Ms. Carol Popp, as a professional writer.

A review of the files pertaining to the hiring of Mr. R. Prokopanko as Ministerial Assistant showed an inconsistency between his actual starting date of December 1, 1986 and the passage of the Order in Council on February 19, 1987 appointing him to the position. Other financial and personnel issues examined with respect to Mr. Prokopanko's appointment appeared consistent with government policies.

With respect to Ms. Scala, who served in the Minister's Office from March to September 1986, a review was undertaken of the events and financial arrangements surrounding her departure from the Minister's Office. Our audit concluded that the Minister had no direct involvement in negotiating the final financial settlement arranged by officials of the Ministry of Forests and Lands, including the repayment of a large travel advance . While the financial settlement arranged was more generous than normal for the short length of service involved, it may not have been unreasonable under the circumstances.

Ms. Hall, the Minister's Secretary, was chosen personally by Mr. Kempf from a list of qualified persons supplied by the Ministry of the Provincial Secretary. She had previously been the Executive Secretary for the Honourable Stephen Rogers. Ms. Hall served as a Secretary to Mr. Kempf from August 21, 1986 until February 20, 1987 when her employment was terminated due to disagreements over how the Office should be run. Our interviews with the Minister and Ms. Hall suggest there was substantial friction over office roles and procedures, as well as over financial administration matters.

The financial arrangements relating to Ms. Hall's termination of employment with the Minister's Office had not been finalized at the time of our review.

A fourth staffing action reviewed during the investigation was the hiring of Ms. Popp under contract in December, 1986, to undertake certain projects in the Minister's Office. A friend of the Minister's family, Ms. Popp is a writer, who was hired under contract for one day a week, increased to two days a week in February 1987. The stated purpose of the contract was "the preparation of written material on subjects relating to the provision of forestry and Crown land services as they relate to the mandate of the Ministry of Forests and Lands and as directed by the Ministry (sic) or his designate". The Minister and Ms. Popp both confirmed that she wrote articles for the Minister's newspaper column and for his constituency newsletter, the "Omineca Update". The Minister confirmed his understanding that Ms. Popp was to be paid from Ministry funds rather than the Minister's Office Vote.

The issue raised by this contract is whether it is appropriate for the Ministry of Forests and Lands departmental appropriation to be used to fund the writing of material for the Minister's own newspaper column and the constituency newsletter. Mr. Kempf's considered view was that this was an appropriate use of Ministry funds because the articles helped him to communicate to the public about forestry issues.

However, it was noted that at least one article produced by Ms. Popp under this contract was not related to Forestry matters, but dealt with Mr. Kempf's views on federal parole policy. In my opinion, the propriety of using public funds from the Forest and Range Management Vote for the development of material for a constituency newsletter is questionable.

Therefore, it is recommended that this contract not be paid from the Ministry's Forest and Range Management Vote.

DIVESTITURE OF BUSINESS INTERESTS

Two issues were examined with respect to Mr. Kempf's business interests: what business interests did Mr. Kempf have when he became a Minister on February 11, 1986; and how and when did he divest himself of them?

Our investigation revealed that in February 1986, Mr. Kempf's business interests included shares, directorship, or interests in:

- Kennedy Imports Ltd., Victoria, B.C.
- Kennedy International Inc., Mount Vernon, Washington
- Tidewater Traders Group Ltd., Victoria, B.C.
- Norjak 1-8 Mineral Claims, Keremeos, B.C.

Mr. Kempf reported under oath that he had divested himself of his interest in Tidewater Traders Group Ltd. on February 14, 1986, and in Kennedy Imports Ltd. on March 24, 1986, six weeks after becoming a Minister. He provided copies of documents showing that he had divested his interest in Tidewater Traders Group back to the company without consideration. He also tabled documents to show that his 100 Class A common shares in Kennedy Imports Ltd. were transferred to Mr. Gottfried Suss for the sum of $1.00 on March 24, 1986.

The matter of Mr. Kempf's financial interest in Kennedy International Inc. was considered to be of special importance because of a suggestion that he may have continued to hold an interest in a Washington State lumber company while serving initially as Minister of Lands, Parks and Housing and subsequently as Minister of Forests and Lands. On the matter of Kennedy International Inc., an active timber firm in Mount Vernon, Washington, Mr. Kempf stated under oath that Kennedy International Inc. is a subsidiary company of Kennedy Imports Ltd. According to Mr. Kempf, the principal owners of both companies were, Mr. Tom Foster of Mount Vernon, Washington, Mr. Gottfried Suss of Vanderhoof and himself. According to Mr. Kempf's testimony, by transferring his shares in Kennedy Imports Ltd. to Mr. Gottfried Suss, he thereby also divested himself of any interest in Kennedy International Inc. My examination has been unable to confirm the legal relationship between Kennedy Imports Ltd. and Kennedy International Inc., and in particular whether the relationship was that of a subsidiary, associated or affiliated company.

Mr. Kempf confirmed that Kennedy International Inc. was an active commercial enterprise engaged in logging and timber sales. State of Washington records listed him as Vice President as at October 31, 1985. It would appear, therefore, that Mr. Kempf may have made a financial sacrifice upon becoming a Minister in transferring his shares in Kennedy Imports Ltd. to his business associate Mr. Suss for the nominal sum of $1.00.

Government long distance telephone records indicate that seventeen calls were placed in 1986-87 from Mr. Kempf's office to the telephone number for Mr. Tom Foster whose residence in Mt. Vernon is also the registered office of Kennedy International Inc. Those calls took place between June 28, 1986 and February 21, 1987. According to Mr. Kempf's testimony, during at least part of this period, his former business associate, Mr. Foster, played a role in discussions between British Columbia and the North West Lumber Producers Coalition over the softwood lumber countervail tariff issue.

The fact that Mr. Kempf's interest in Kennedy International Inc. had not been disclosed by him in his reports under the Financial Disclosure Act, was brought to his attention. He was of the opinion that, as a subsidiary company it need not be disclosed separately. However, in my opinion, whatever the relationship between the two companies may have been, Mr. Kempf would have been required to disclose his interest in Kennedy International Inc. under either Section 3 or Section 5 of the Financial Disclosure Act. Under Section 5 the requirement to report a subsidiary company is dependent on the provincial official or members of his family owning more than 30% of the parent company shares. Information provided to me suggests that Mr. Kempf owned one third of the shares of Kennedy Imports Ltd.

The question of Mr. Kempf's compliance with the Financial Disclosure Act prior to his divestiture of Kennedy Imports Ltd. has, therefore, been turned over to the Ministry of Attorney General for further review. That Ministry carries the responsibility for the administration of the Financial Disclosure Act.

At the time he was appointed to the Cabinet, Mr. Kempf also held mineral claims in the Keremeos area. These claims lapsed effective May 13, 1986, although Mr. Kempf made an unsuccessful initiative to maintain his claims in good standing through a late filing with the Ministry of Energy, Mines and Petroleum Resources on May 20, 1986.

According to advice received from the Ministry of Attorney General, public disclosure of mineral claims is not currently required under Section 3 of the Financial Disclosure Act. Nonetheless, it would appear that public officials covered by the Act could find themselves in a potential conflict of interest situation with respect to mineral claims during the exercise of their public duties, such as the decisions of the Environment and Land Use Committee of Cabinet.

Therefore, it is recommended that the Ministry of the Attorney General be requested to review the requirement for an amendment to the Financial Disclosure Act to include mineral claims and similar resource interests.

CONSTITUENCY EXPENSES

In view of the news media accounts concerning the Minister's use of his mobile constituency office, a complete examination was made of constituency records for the 1986-87 year to date, and of the available records for the 1985-86 fiscal year when the Minister was first a Parliamentary Secretary then a Minister of the Crown.

The mobile constituency office is a leased motor home which is used to travel on constituency business to the various parts of Mr. Kempf's very large northern constituency. There is no other constituency office.

Our audit of the required constituency records for 1986-87 indicates that the lease for the motor home is held in the name of Mrs. Kempf, but that the current monthly payments of $773.60 are paid directly out of the Omineca constituency office expense account to General Motors Acceptance Corporation, which holds the chattel mortgage from the lessor, Nicholson Chev Olds in Prince George.

Mr. Kempf was interviewed with respect to any personal use of the motor home. He reported one holiday trip was taken to Palm Springs, California, in the motor home over the December 1985 Christmas and New Year period. Bank records support his testimony that after the California trip he personally repaid an amount equal to one month's lease payment to the Omineca constituency fund to provide reimbursement for the personal use of the constituency motor home. In my opinion, this reimbursement was an entirely appropriate way of dealing with the personal use of the motor home.

MLAs receive two allowances for in-constituency expenses. For MLAs serving remote constituencies, there is a statutory allowance of $2,060 per annum for in-constituency expenses. The other allowance provides up to $2,350 per month (up to $28,000 per year) for actually incurred constituency office, staff and related expenses. It is from these latter funds that the motor home lease, repair and operating costs are paid.

The use of the $28,000 expense allowance is governed by "Speaker's Guidelines", issued under the authority of the Speaker. The Guidelines provide that: "a mobile trailer is also an acceptable form of constituency office providing the unit is strictly used for this purpose", and provides that "the lease must be entered into in the Member's name". Therefore, having the motor home lease in Mrs. Kempf's name is inconsistent with the Speaker's Guidelines.

It is recommended, therefore, that the lease arrangements and use of the mobile constituency office be brought into conformity with the Speaker's Guidelines.

Our review of the 1986-87 Omineca constituency accounting records, demonstrated good record keeping and financial administration by the custodian of the account in

Vanderhoof. A source of concern, however, was that over $11,000 had accumulated in the account at the time of our review, including a carry over of $744.03 fr[illegible] the previous fiscal year.

Therefore, it is recommended that any balance not covered by expenses incurred be returned to the Consolidated Revenue Fund. In this regard, it is important to note that Sections 25 and 26 of the Constitution Act prohibit an MLA from receiving public money for this purpose except for "expenses incurred by a member in the discharge of his duties".

In reviewing the carry forward of the $774.03 in constituency allowance funds into the current fiscal year, Mr. Kempf was requested to provide his constituency accounting records for 1985-86. Mr. Kempf reported, under oath, that these records could not be located. During 1985-86 constituency expense transactions were administered by Mrs. Kempf as sole signing officer for the account held in a Victoria branch of a trust company. During this period, she was also an employee of the Ministry of Health. With her assistance, banking records for 1985-86 held by the trust company were provided.

It was these records which allowed us to identify Mr. Kempf's reimbursement to the constituency account for the personal use of the motor home in 1985-86.

Other banking records showed a series of eleven regular monthly payments of $650.00 to Mrs. Kempf. Since the actual invoices and other accounting records could not be located, there was no audit trail to accurately determine what these payments were for. Mr. Kempf's recollection was that the $650.00 monthly payments were to provide a stipend for Mrs. Kempf's management of the constituency account and possibly to reimburse him for expenses paid in cash. Cheques totalling $7,650 paid to Mrs. Kempf in 1985-86 under her own signing authority were all deposited in a First Pacific Credit Union account.

The auditors also noted that a cheque to J.J. Kempf marked "for expenses" in the amount $1,332.17 was paid by Mrs. Kempf out of the constituency account on March 3, 1986 and an amount of $750.00 on December 9, 1985. Because the full accounting records could not be located, the actual expenses associated with these transactions could not be ascertained.

As noted earlier, during the 1985-86 period, Mrs. Kempf was the sole signing officer for the constituency account. The signing officer changed for the 1986-87 fiscal year, when the account was transferred from Victoria to Vanderhoof.

To ensure consistency with accepted standards of good financial control, it is recommended that in future the signing officers on the constituency account always be individuals who maintain an arms length relationship to the Member.

Finally, on the issue of accounting records, the Speaker's Guidelines require Members to keep financial records of constituency expenses for audit purposes. The Standing Committee on Public Accounts of the Legislature has not yet reviewed the 1985-86 fiscal year financial statements and the supporting documents covering the expenditure of public funds in this fiscal period. Supporting documents on constituency expenses should be retained by MLAs at least until the completion of the government audit cycle, and prudence would suggest retaining the accounting records for an even longer period. The government, for example, retains its own accounting records for a seven year period. The Income Tax Act requires taxpayers to retain detailed records of this kind for six years plus the current year.

It is recommended that MLAs maintain constituency financial records for seven years.

OTHER OBSERVATIONS

My review and Mr. Kempf's testimony suggested the need to substantially update the Speaker's Guidelines as well as certain other aspects of the financial administration of the Legislation appropriation, Vote 1. In this respect, it should be noted that the Speaker has underway a major project to update the financial policies, procedures and guidelines governing Members of the Legislative Assembly. The Speaker has asked for and will receive the full cooperation and assistance of my Office in this commendable initiative. In a related development, the Speech from the Throne noted that the Legislature would soon establish a Board of Internal Economy.

My examination also suggests the need for the Treasury Board and Cabinet to review the Official Duties Expense Regulations to ensure that they provide clear, comprehensive and complete rules for Ministers to follow in all aspects of their travel and business expenses.

In addition, it is recommended that the Legislative Assembly Allowances and Pension Act be reviewed with the objective of consolidating all statutory allowances and expenses for MLAs in one statute.

A separate report will be provided to Treasury Board and to the relevant Ministries on the need to tighten Ministry and Central Agency controls over travel advances, airline bonus points, and related matters.

Finally, as previously noted, it is recommended that the Financial Disclosure Act be reviewed to ensure that it adequately covers the disclosure by public officials of all significant business or financial interests which could place them in a potential conflict of interest situation in the course of their duties.

CONCLUSIONS

I thank Mr. Kempf for his cooperation during this inquiry including the provision of written and verbal information under oath on the matters and allegations which the Comptroller General was asked to review. I fully appreciate the difficult period this has been for him and for his wife.

The investigation showed that for the most part the financial affairs of his Office were managed in accordance with government policies, procedures and guidelines. However there were significant exceptions to compliance with statutory, policy or procedural requirements, as noted in this Report. Where exceptions and deficiencies were identified, recommendations for corrective action have been made. Some issues require a review by the Ministry of Attorney General to determine whether further action is required.

Inevitably a report of this nature must return to the question: did the Minister meet the high standards of financial administration expected of MLAs and Ministers of the Crown in the exercise of their official duties? In this regard, the Auditor General stated in her 1982 Special Report that:

> "I grant that the activities of any Minister of the Crown in pursuit of the policies and objectives assigned to him should not be impeded by the minutiae of the bureaucratic process. However, there remains an inescapable responsibility that these procedures be properly executed in regard to expenditures incurred by him and charged to public expense."

I concur with the former Auditor General that these are appropriate standards of accountability for Ministers of the Crown. This audit concludes that in most respects Mr. Kempf met those standards, but in certain significant financial matters included in this Report he did not.